



Agenda Date: 1/18/12
Agenda Item: 2E

STATE OF NEW JERSEY
Board of Public Utilities
44 South Clinton Avenue, 9th Floor
Post Office Box 350
Trenton, New Jersey 08625-0350
www.nj.gov/bpu/

DIVISION OF ENERGY &
OFFICE OF CLEAN ENERGY

IN THE MATTER OF THE PETITION OF NEW JERSEY)
NATURAL GAS COMPANY FOR APPROVAL OF AN)
EXTENSION OF ENERGY-EFFICIENCY PROGRAMS)
AND THE ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A. 48:3-98.1) ORDER
DOCKET NO. GR11070425

Parties of Record:

Tracey Thayer, Esq., Attorney for the Petitioner, New Jersey Natural Gas Company
Stefanie A. Brand, Esq., Director, New Jersey Division of Rate Counsel

BY THE BOARD:

By this Decision and Order, the New Jersey Board of Public Utilities ("Board") considers a stipulation executed by New Jersey Natural Gas Company ("NJNG" or "Company"), the Division of Rate Counsel ("Rate Counsel"), and Board Staff ("Staff") (collectively, "Signatory Parties"), which resolves the above-captioned matter.

BACKGROUND AND PROCEDURAL HISTORY

On January 13, 2008, L. 2007, c. 340 ("Act") was signed into law by former Governor Corzine based on the New Jersey Legislature's findings that energy efficiency and conservation measures must be essential elements of the State's energy future, and that greater reliance on energy efficiency and conservation will provide significant benefits to the citizens of New Jersey. The Legislature also found that public utility involvement and competition in the conservation and energy efficiency industries are essential to maximize efficiencies. N.J.S.A. 26:2C-45.

Pursuant to Section 13 of the Act, codified as N.J.S.A. 48:3-98.1 (a)(1), an electric or gas public utility may, among other things, provide and invest in energy efficiency and conservation programs in its service territory on a regulated basis. Such investment in energy efficiency and conservation programs may be eligible for rate treatment approved by the Board, including a return on equity, or other incentives or rate mechanisms that decouple utility revenue from sales of electricity and gas. N.J.S.A. 48:3-98.1(b). Ratemaking treatment may include placing appropriate technology and program cost investments in the utility's rate base, or recovering the

utility's technology and program costs through another ratemaking methodology approved by the Board.

An electric or gas public utility seeking cost recovery for any energy efficiency and conservation programs pursuant to N.J.S.A. 48:3-98.1 must file a petition with the Board. In determining the recovery of any program costs, the Board "...may take into account the potential for job creation from such programs, the effect on competition for such programs, existing market barriers, environmental benefits, and the availability of such programs in the marketplace." N.J.S.A. 48:3-98.1(b).

On July 17, 2009, the Board authorized NJNG to implement three energy efficiency programs: 1) Home Performance with Energy Star ("HPwES") Enhancements; 2) Enhanced Warm Advantage Rebate Program; and 3) Commercial Customer Direct Install Program as part of former Governor Corzine's Economic Stimulus Plan announced in October 2008¹ ("Original Programs"). The Original Programs were designed to complement or supplement existing New Jersey Clean Energy Program ("NJCEP") offerings including the ongoing WarmAdvantage, COOLAdvantage, HPES, Commercial Direct Install and Smart Start Building programs. The NJNG programs were to be available to eligible customers for approximately twelve months. In the event there was still program funding available after that period, NJNG could continue to offer the approved programs through December 31, 2010.

By Order dated September 24, 2010, the Board authorized NJNG to extend and expand the Original Programs through December 31, 2011² ("September 2010 Order"). In addition to authorizing modifications to the Original Programs, the September 2010 Order also authorized the Company to implement an OPOWER pilot through which customers obtain information about their specific energy use in comparison to comparable households, an incremental incentive for Combined Heat and Power ("CHP") projects undertaken in conjunction with NJCEP, and a program that offers eligible customers an opportunity for customized energy efficiency provisions, Fostering Environmental and Economic Development ("FEED") (collectively, "NJNG SAVEGREEN Project").

July 2011 Filing

On July 15, 2011, NJNG filed the instant petition with the Board ("Petition"). On August 11 2011, Staff notified NJNG that the filing was administratively complete.³

¹ I/M/O Energy Efficiency Programs and Associated Cost Recovery Mechanisms and I/M/O the Petition of New Jersey Natural Gas Company for Approval of Energy Efficiency Programs with an Associated Cost Recovery Mechanism, BPU Docket Nos. EO09010056 and GO09010057, Order dated July 17, 2009.

² I/M/O the Petition of New Jersey Natural Gas for Approval of Regional Greenhouse Gas Initiative Programs and Associated Cost Recovery Mechanisms Pursuant to N.J.S.A. 48:3-98.1, BPU Docket No. GO10030225, Order dated September 24, 2010.

³ N.J.S.A. 48: 3-98.1 requires the Board to decide cost recovery issues within 180 days. Pursuant to the Board Order issued in response to a further statutory directive within that section, Staff must review a petition for completeness within 30 days and, when a petition is determined to be complete, set the beginning of the 180-day period. I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs, Investing in Class I Renewable Energy Resources, and Offering Class I Renewable Energy Programs in their Respective Service Territories on a Regulated Basis Pursuant to N.J.S.A. 48:3-98.1, Dkt. No. EO08030164 (May 8, 2008). Accordingly, the 180-day for a Board determination commenced on July 15, 2011 and expires on January 11, 2012.

In the Petition, the Company seeks approval to continue, with modifications, the current energy-efficiency programs and the no-interest on-bill-repayment-program ("OBRP") offered in the NJNG SAVEGREEN Project over a twelve-month period beginning in January 2012. The Company also proposed the implementation of a pilot program offering higher efficiency heating equipment through conversions to natural gas for electric heat customers receiving benefits from the Universal Service Fund Program. The Petition also seeks approval for a continuation of the Board-approved mechanism for cost recovery.

The total proposed gross investment for these programs is \$11.45 million. NJNG proposes to recover the costs through the current Rider F in its tariff.

After publication of notice in newspapers in general circulation in its service territory, four public hearings were held on the proposed extension of the NJNG SAVEGREEN program, with two hearings in Rockaway Township on August 23, 2011, and two hearings in Freehold Township on August 24, 2011. No members of the public appeared or submitted comments.

By Order dated September 22, 2011, the Board retained this matter for review and hearing as authorized by N.J.S.A. 48:2-32, and designated Commissioner Joseph L. Fiordaliso as the presiding officer in this proceeding. Additionally, the Board adopted a procedural schedule agreed to by the Company, Staff, and Rate Counsel (collectively, the "Parties").

By letter dated October 15, 2011, Bloom Energy Corporation ("Bloom") filed a motion to intervene in this matter. By Order dated November 2, 2011, Commissioner Fiordaliso denied Bloom's motion but instead granted Bloom participant status in this proceeding.

On November 16, 2011, Rate Counsel submitted the direct testimony of Robert Fagan and Robert J. Henkes.

In order to allow sufficient time for the administrative processing and review of the Petition, as well as the issuance of a Board Order in this case, by Order dated December 15, 2011, the Board approved a stipulation extending the 180 day review period to January 31, 2012 from the original RGGI Date of January 11, 2012.

STIPULATION

NJNG, Rate Counsel, and Staff actively participated in discovery and settlement negotiations which ultimately resulted in the execution of a stipulation ("Stipulation") on January 9, 2012. The Signatory Parties have agreed to the following salient terms⁴:

21. Subject to the provisions of paragraphs 22, 23, 24 and 27 below, NJNG can continue its existing SAVEGREEN programs and implement certain proposed SAVEGREEN program changes through December 31, 2012, or twelve months from the date of the Board Order approving the SAVEGREEN extension is served, whichever is later
22. NJNG agrees that it will withdraw the request to continue the currently-approved CHP Program.

⁴ Although described at some length in this Order, should there be any conflict between this summary and the Stipulation, the terms of the Stipulation control, subject to the findings and conclusion of this Order.

23. NJNG can implement the proposed Access Program as a pilot with the following modifications:

The program will target a sample of approximately 200 eligible customers.

- Approximately 50 percent of that population will receive the weatherization measures provided through the Comfort Partners Program and will be converted to high efficiency natural gas heating equipment.
- The remaining customers in the Access Program will also receive the weatherization measures provided through the Comfort Partners Program and will have electric heat pump equipment installed.
- NJNG will coordinate with participating contractors to ensure that all installed equipment will be sized appropriately for the location that it will serve, taking into consideration the impacts of the weatherization services provided.
- All heating equipment installed will be of the highest applicable efficiency given the location in which it is installed. NJNG will strive to ensure that gas furnaces will have an Annual Fuel Utilization Efficiency (AFUE) of 95 percent and heat pumps will have a Heating System Performance Factor (HSPF) equal to or greater than 8.5 to be consistent with current NJCEP residential compliance filing submitted by Honeywell.

Since NJNG actively participates in the current Comfort Partners Program, an additional subset comprised of the customers receiving those benefits but not receiving the new heating equipment described above will serve as a control group. The subset will be selected based on the building characteristics of the participants that generally resemble the building characteristics of the population that receives a heating equipment upgrade. In particular, all facilities chosen as a control group must be electric heat dwellings and must also utilize Universal Service Fund benefits.

- NJNG will track the consumption patterns and to the greatest extent practicable, the building characteristics (including but not limited to building size and building age), for all customers participating in ACCESS and the control group and compare the resulting energy savings among each of the three groups – those receiving only Comfort Partners benefits, those receiving high efficiency natural gas heating equipment and those receiving high efficiency electric heat pumps (all participating customers, including the control group, must allow NJNG access to consumption information in order to be eligible). NJNG agrees to host at least one technical conference with Rate Counsel and Staff to explain evaluation protocols and discuss the methods to be used when evaluating the consumption impacts across each of the three groups of participants.

NJNG can retain any revenues associated with the Access Program

24. The following modifications to the proposed SAVEGREEN programs will be made:

- NJNG can continue to offer the enhanced rebate of \$900 to customers participating in the NJCEP WARMAdvantage rebate program but the Company hereby withdraws the proposal to, in the alternative, offer an OBRP in lieu of the enhanced rebate.
 - Financing levels through the NJNG OBRP related to HPwES work won't exceed those approved in the 2012 NJCEP budget, and the rebate levels for HPwES for Tier II and Tier III projects will not exceed those offered by NJCEP in 2012.
25. Since the OPOWER and FEED programs were originally approved for a three year period, this Stipulation does not address those programs which will continue as structured and approved in the September 2010 Order.
 26. NJNG is authorized to continue the SAVEGREEN programs, as modified herein, and the associated OBRP for twelve months effective as of the date of the Board Order approving this Stipulation is served. Work related to any specific SAVEGREEN Program offers that has been started prior to the end date may continue into 2013 for close-out and completion.
 27. If no further Board Order(s) or policy directive is issued with an effective date on or before December 31, 2012, the SAVEGREEN Program may continue to be offered by NJNG on a quarterly basis past December 31, 2012 provided that there are unspent monies in the NJNG SAVEGREEN Program budget.. The maximum 2013 investment levels permitted in each quarterly period shall not exceed one-fourth of the approved annual levels for each program and program component.
 28. The Board may, specifically as part of its review and consideration of the transition of the NJCEP in its Order(s), terminate in whole or in part the NJCEP programs associated with the SAVEGREEN Project programs, including amendments made herein and including any amendments made in any Board approved NJCEP transition Order, then the associated SAVEGREEN Project programs may continue for a period of time for the purpose of an orderly wind-down. However, NJNG must abide by a Board Order reflecting a date certain to wind-down any approved SAVEGREEN Program projects for which NJNG has funding, as outlined in paragraph 27 above.
 29. The Company will defer and thereafter seek recovery of all reasonable and prudent SAVEGREEN Program costs, including the rebate costs, customer incentives and associated reasonable and prudent incremental O&M expenses through rates in future periods pursuant to the terms of NJNG's Tariff Sheet Rider F. The SAVEGREEN Program costs shall be subject to the terms set forth in Rider F and shall be recovered through a per therm EER charge applicable to all jurisdictional throughput on the NJNG system. The estimated revenue requirements for these programs, including associated O&M expenses and assuming full participation, are shown on Exhibit A, attached to the Stipulation.

30. SAVEGREEN Program investments made in participating customer rebates and incentive payments will be amortized over a five (5) year period, on a straight line basis, with the return on the unamortized investments based upon an after-tax rate of 7.10 percent and 10.75 percent return inclusive of income taxes, with the exception of the Access Program, which will be amortized without a return. As currently structured, the customer repayment period for the on-bill repayment offer will be five and ten years pursuant to Paragraphs 6 and 24 in the Stipulation, in coordination with the structure for the NJCEP financing offers approved for 2012. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation and applicable deferred income taxes related to the amortization of SAVEGREEN program costs over a five-year period for book purposes, and over one year for tax purposes.
31. SAVEGREEN Program investments and operating costs will be reconciled to actual in filings to be submitted on or before June 1 of each year in which recovery will be sought. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.
32. In NJNG's annual energy-efficiency rate filing, Docket No. GR11060333, as amended on July 14, 2011, the Company has requested that the Board maintain the current after-tax EER rate of \$0.0127 as originally established in Docket No. GO09010057 and approved by the Board in an Order dated July 17, 2009. The estimated revenue requirement necessary to recover the costs to deliver the SAVEGREEN programs described herein, including rebates, incentives, customer financing, incremental O&M expenses and carrying costs, in the amount of \$6.7 million annually is to be recoverable through Rider F to the Company's Tariff. Going forward, the Company will make a cost recovery filing by June 1st to establish future EER rates. That filing will target an effective date of October 1st of the same calendar year, in conjunction with NJNG's annual Basic Gas Supply Service filing. The annual cost recovery filing will include information regarding actual costs and recoveries for the previous year, as well as projected costs and volumes for the upcoming year. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the Board in the Company's most recent base rate case, BPU Docket No. GR07110889, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. In each annual filing, the sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of the cost over/under-recoveries.

33. Funding may be transferred between individual programs within SAVEGREEN in order to address customer and market demand, in accordance with the following procedure. The Company will submit to the Parties a written description of the proposed transfers, the rationale behind the proposal and schedules demonstrating the impact any transfers may have on aggregate costs and benefit analysis relevant to the changes. If there is any objection within 10 days from a Party, Board approval will be required. Additionally, Board approval will be required if the proposed transfers (1) increase or decrease any individual program's budget by more than 20 percent; or (2) involve more than 10 percent of the total SAVEGREEN budget. NJNG will not seek to increase or re-allocate the budget of any SAVEGREEN program to any other SAVEGREEN program budget where that program has been eliminated by NJCEP.
34. All other changes to the SAVEGREEN programs must be proposed by the Company in an appropriate petition filed with the Board including proposals by the Company for changes in rebate levels, including those intended to respond to future NJCEP budgetary considerations and proposals by the Company to make other program changes in response to changes in NJCEP or Board policy.
35. NJNG will continue to submit detailed data regarding the SAVEGREEN Programs and expenses through the Program Manager Data Tracking Sheets as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN Project programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report.

DISCUSSION AND FINDING

The Board has carefully reviewed the record to date in this matter including the Petition, testimonies and the Stipulation. Based on that review, the Board **HEREBY FINDS** the Stipulation to be reasonable, in the public interest and in accordance with the law. Accordingly, the Board **HEREBY ADOPTS** the Stipulation in its entirety, and **HEREBY INCORPORATES** its terms and conditions as though fully stated herein. The Board **HEREBY DIRECTS** the Parties to comply with the terms and conditions of the Stipulation. Further, the Board **HEREBY APPROVES** the changes to the associated tariff sheets as proposed by NJNG in its petition, and **HEREBY ORDERS** the Company to file final compliance tariffs within five (5) days of service of this Order.

The Board **HEREBY RATIFIES** all provisional rulings by Commissioner Fiordaliso for the reasons stated in his Orders.

The Board Order shall become effective upon the date that it is served.

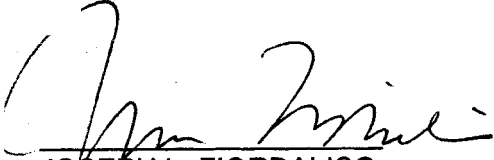
The Company's rates will remain subject to audit by the Board. This Decision and Order shall not preclude the Board from taking any actions deemed to be appropriate as a result of any Board audit.

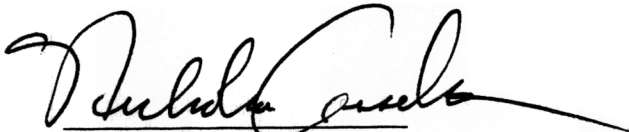
DATED: 1/18/12

BOARD OF PUBLIC UTILITIES
BY:


ROBERT M. HANNA
PRESIDENT


JEANNE M. FOX
COMMISSIONER


JOSEPH L. FIORDALISO
COMMISSIONER

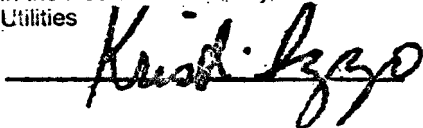

NICHOLAS ASSELTA
COMMISSIONER


MARY-ANNA HOLDEN
COMMISSIONER

ATTEST:

KRISTI IZZO
SECRETARY

I HEREBY CERTIFY that the within document is a true copy of the original in the files of the Board of Public Utilities



In the Matter of the Petition of New Jersey Natural Gas Company for Approval of an
 Extension of Energy-Efficiency Programs and the Associated Cost Recovery Mechanism,
 Pursuant to N.J.S.A. 48:3-98.1
 DOCKET NO. GR11070425

SERVICE LIST

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**STATE OF NEW JERSEY
BOARD OF PUBLIC UTILITIES**

**IN THE MATTER OF THE PETITION)
OF NEW JERSEY NATURAL GAS) BPU DOCKET NO. GR11070425
COMPANY FOR APPROVAL OF THE)
EXTENSION OF ENERGY-)
EFFICIENCY PROGRAMS AND THE)
ASSOCIATED COST RECOVERY)
MECHANISM PURSUANT TO N.J.S.A.)
48:3-98.1)**

STIPULATION

APPEARANCES:

Tracey Thayer, Esq., New Jersey Natural Gas Company, for Petitioner, New Jersey Natural Gas Company

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Alex Moreau and Veronica Beke, Deputy Attorneys General, for the Staff of the New Jersey Board of Public Utilities (**Jeffrey S. Chiesa**, Acting Attorney General of the State of New Jersey)

TO: THE NEW JERSEY BOARD OF PUBLIC UTILITIES

BACKGROUND

1 On July 15, 2011, New Jersey Natural Gas Company (“NJNG” or the “Company”) filed a petition (the “Petition”) in Docket No. GR11070425. That filing requested that the New Jersey Board of Public Utilities (“BPU” or the “Board”) approve an extension with

modifications of the energy-efficiency programs made available to NJNG customers through The SAVEGREEN™ Project pursuant to The Global Warming Response Act, N.J.S.A. 26:2C-45, and The Electric Discount and Energy Competition Act, N.J.S.A. 48:3-98. (hereinafter, the “Acts”). These programs had originally been proposed in part to address the energy-efficiency and conservation goals of the Acts and now also align with the goals and policy direction encompassed in the Final New Jersey Energy Master Plan (the “Final EMP”). The Acts provide for, subject to certain conditions, the investment by a natural gas or electric utility in customer or utility side energy-efficiency and renewable energy programs in its service territory on a regulated basis.

BACKGROUND

In an Order dated May 12, 2008 in Docket No. EO08030164¹ (the “May 12 Order”), the Board established Minimum Filing Requirements (“MFRs”) for filings submitted pursuant to Section 13 of the Acts (N.J.S.A. 48:3-98.1). Pursuant to the May 12 Order, a utility contemplating filing a petition for energy-efficiency, conservation programs and/or Class I renewable energy and a related cost recovery mechanism must meet with Board Staff (“Staff”) and the New Jersey Division of Rate Counsel (“Rate Counsel”) at least 30 days prior to filing its petition to discuss the nature of the program and the program cost recovery mechanism to be proposed in the petition, as well as discussing the information to be included in the MFRs submitted along with the petition.

¹ I/M/O Electric Public Utilities and Gas Public Utilities Offering Energy Efficiency and Conservation Programs in Their Respective Service Territories on a Regulated Basis, BPU Docket No. EO08030164, Order dated May 12, 2008.

3 Based on the Acts and the May 2008 Order, NJNG made a filing on January 19, 2009 in Docket Nos. EO09010056 and GO09010057, seeking BPU approval to implement three energy-efficiency programs that complemented or supplemented existing programs offered through New Jersey's Clean Energy Program ("NJCEP"). In an Order dated July 7, 2009 (the "July 2009 Order"), the BPU adopted the terms of a Stipulation entered into among representatives from the BPU Staff, Rate Counsel and NJNG (the "Parties") approving the implementation of the following energy-efficiency programs and the associated cost recovery mechanism: Home Performance with Energy Star ("HPwES") Enhancements; Enhancement to the WARMAdvantage Rebate Programs; and the Commercial Customer Direct Install Program. Subsequent to the July 2009 Order, NJNG began offering these programs through The SAVEGREEN™ Project ("SAVEGREEN"). NJNG also received BPU approval to buy down costs associated with loans entered into through the NJCEP financing arrangements with Energy Finance Solutions ("EFS"). Recovery of the costs necessary to deliver these programs, including rebates, incentives, customer financing, incremental operation and maintenance ("O&M") expenses and carrying costs in the initial amount of \$8.1 million annually was approved and is provided through Rider F to the Company's Tariff.

4. Following approximately eight months of offering programs through SAVEGREEN, NJNG filed a petition with the BPU on March 29, 2010 in Docket No. GO10030225 for approval to expand the NJNG energy-efficiency offers available and to implement certain renewable-energy programs, continuing the cost recovery format approved in the July 2009 Order. Following a full discovery process and subsequent negotiations, the Parties entered into a Stipulation agreeing to certain modifications to the originally requested programs.

The two intervenors in the case, Atlantic City Electric Company and Jersey Central Power & Light Company, filed letters with the BPU stating they had no objection to the Stipulation of the Parties.

5. In an Order dated September 24, 2010 (the “September 2010 Order”), the BPU adopted the terms of the above Stipulation through which, taking into consideration the future potential for statewide policy changes and the pending release of a revised Energy Master Plan for New Jersey, the Parties agreed to the following NJNG programs and offers to be effective through at least December 31, 2011 (except for the OPOWER pilot program and FEED as noted below): enhanced rebates for the purchase and installation of various heating, ventilation and air-conditioning (“HVAC”) equipment; an on-bill-repayment program (“OBRP”) available at zero-percent interest for eligible customers and managed by NJNG employees; up to \$1,000 of air-sealing work for customers taking advantage of the NJNG WARMAdvantage rebate; additional rebates for eligible customers participating in HPwES Audits and additional energy saving projects; the OPOWER pilot approved for a three-year pilot period and through which customers obtain information about their specific energy use in comparison to comparable households; an incremental incentive for Combined Heat and Power (“CHP”) projects undertaken in conjunction with NJCEP and Fostering Environmental and Economic Development (“FEED”), a three-year program with no ratepayer impact that offers eligible customers an opportunity for customized energy efficiency, economic development and environmentally friendly provisions.

6. In the September 2010 Order, the Board also approved the implementation of a no interest on-bill-repayment plan (“OBRP”) for eligible residential customers making energy-efficiency investments through the HPwES program within SAVEGREEN. Payments made by

participating customers through the OBRP will be an offset to this investment. The customer repayment period will be ten years. The OBRP replaces the financing arrangements through EFS approved in the July 2009 Order.

7. The Board's September 2010 Order also approved a cost recovery mechanism through which the Company is authorized to seek recovery for all SAVEGREEN Program costs including the estimated revenue requirement recovery of the costs necessary to deliver these programs, and the costs of certain rebates, customer incentives, customer financing, associated incremental operations and maintenance ("O&M") expenses and the carrying costs in the initial amount of \$6.9 million annually. These costs are recoverable through a per therm charge to all applicable jurisdictional throughput on the NJNG system. The SAVEGREEN costs are recoverable through the existing Board-approved Rider F to the NJNG Tariff, originally approved as the Energy Efficiency Rider ("EER") related to the SAVEGREEN Project.

CURRENT FILING

8. NJNG filed a Petition in the instant docket, with supporting testimony, program descriptions and schedules providing financial information pursuant to the MFRs, on July 15, 2011 to obtain BPU approval to extend, with modifications, the current energy-efficiency programs and the OBRP operating through SAVEGREEN. The Company requested that the extension continue for a twelve-month period as of January 1, 2012 or from the date of the Board's order in this proceeding. The modifications were proposed in response to market demands, state policy changes and customer needs. NJNG also sought approval to continue the

cost recovery methodology approved by the Board in the September 2010 Order. The above filing did not seek any change to the current Board-approved EE rate of \$0.0127/therm².

9. For residential customers, NJNG proposed the following modification to the current SAVEGREEN offers to become effective upon Board approval:

Customers participating in the NJCEP WARMAdvantage rebate program can either receive the existing NJNG supplemental rebate of \$900 or the opportunity to participate in the NJNG OBRP (up to \$5,000 for installation of a high-efficiency furnace or boiler to be repaid over 5 years or up to \$6,500 to be repaid over 5 years if a high efficiency water heater or the necessary safety modifications are made to ensure proper equipment venting).

- NJNG will provide an HPwES audit after the installation of the above equipment at no cost to the customer.
- If additional energy-efficiency measures are implemented, additional OBRP opportunities may be available.
- Customers initiating HVAC equipment upgrades to energy-efficient units through HPwES are eligible for participation in the OBRP through which up to \$10,000 can be repaid on the NJNG bill at zero-percent interest over 10 years. As the SAVEGREEN and NJCEP programs currently allow, these customers may also be eligible for HPwES rebates. NJNG will provide up to \$4,000 in such rebates for customers participating in the OBRP.

² In the Amended filing submitted on July 14, 2011 in Docket No. GR11060333, NJNG sought BPU approval to maintain the current EER rate of \$0.0127/therm.

HPwES audits will be provided by NJNG for customers seeking an independent Audit. The fee of \$250 paid to NJNG for this audit will benefit all customers through an offset to the SAVEGREEN revenue requirement included in the calculations for future cost recovery pursuant to the Board-approved methodology.

10. NJNG also proposed to implement the Access to Affordable Energy (“Access”) Pilot program. This program serves to assist customers currently relying on electric heat who are receiving benefits from the Universal Service Fund (“USF”) by helping them obtain higher efficiency through conversions to natural gas equipment. In addition to providing the energy savings through more efficient heating equipment, this offer reduces the amount of financial support other customers must provide through the USF program.

For the commercial sector, NJNG proposed to continue its Combined Heat and Power (“CHP”) program through which eligible customers may receive additional NJNG-funded incentives beyond those incentives offered by the NJCEP through its CHP program and beyond those offered by any other state agencies for the CHP projects.

12. Within this filing, NJNG did not propose any changes in the Board-approved pilot program with OPOWER since that was approved in the September 2010 Order for a three-year period. Similarly, the BPU-approved FEED program, originally approved for a three-year pilot period, was not addressed in this filing.

13. Pursuant to the structure approved by the Board in the September 2010 Order, NJNG proposed that work related to a SAVEGREEN program may continue into 2013 for close-out and completion of projects approved or committed prior to December 31, 2012. Additionally, given the complexity of CHP projects, and the approval and implementation cycles associated

with NJCEP, the Company proposed that the close-out and completion of CHP projects extend into 2014.

14. NJNG proposed that it be able to make adjustments to the projected incentive levels between the several programs or to shift program budgets should that be necessary. The Company will provide written notice to the Board Staff and Rate Counsel, including a description of the proposed budget re-allocation with supporting schedules. NJNG also proposed that it will not seek to increase or re-allocate the budget of any SAVEGREEN programs if the complementary NJCEP program has been eliminated. Additionally, NJNG proposed that if funds allocated for SAVEGREEN in 2012 are not fully expended or committed by December 31, 2012, NJNG will transfer those amounts to SAVEGREEN programs extending to 2013, if available.

PROCEDURAL HISTORY

15. Pursuant to the statutory requirements, the Parties participated in a pre-filing conference call on June 1, 2011 at which time NJNG provided an overview of the upcoming filing and a discussion of the information to be submitted in the MFRs. The filing, as noted above, was submitted to the BPU on July 15, 2011. A letter was received from Staff dated August 1, 2011, noting that the Petition and accompanying information were found to be administratively complete pursuant to the May 12 Order. On September 22, 2011, the Board issued an Order retaining this matter at the agency for consideration and, pursuant to N.J.S.A. 48:2-32, designating BPU Commissioner Joseph Fiordaliso as the presiding officer. In that same Order, the Board approved a procedural schedule for this matter (“Procedural Schedule”).

16. On October 5, 2011, a motion for intervention in this proceeding was filed by Bloom Energy Corporation (“Bloom”). By an Order signed on November 1, 2011,

Commissioner Fiordaliso denied intervention to Bloom but granted participation status. To date, no other party has sought intervention in this case.

17. Discovery questions in this matter were propounded by Board Staff and Rate Counsel, and the Company has provided responses to all written requests as of this date.

18. Public notice was provided by NJNG for four public hearings on the proposed SAVEGREEN extension that were held on the following locations, dates and times: hearings at 4:30 pm and 5:30 pm on August 23, 2011, in Rockaway Township and hearings at 4:30 pm and 5:30 pm on August 24, 2011, in Freehold Township. No members of the public appeared at any of the public hearings.

19. Rate Counsel filed the direct testimony of Robert Fagan and Robert J. Henkes on November 16, 2011

20. Subsequent to the completion and review of discovery and the public hearings, and after discovery and settlement meetings among NJNG, Board Staff, and Rate Counsel, the following agreement has been reached in resolution of this case.

Specifically, in consideration of the terms, covenants, conditions and agreements contained herein, it is hereby **STIPULATED AND AGREED** by representatives of NJNG, Rate Counsel and BPU Staff (“the Signatory Parties”) as follows:

STIPULATED MATTERS

21 The Signatory Parties agree, subject to the provisions of paragraphs 22, 23, 24 and 27 below, that NJNG can continue its existing SAVEGREEN programs and implement certain

proposed SAVEGREEN program change through December 31, 2012, or twelve months from the date the Board Order approving the SAVEGREEN extension is served, whichever is later.

22. In resolution of this proceeding, NJNG agrees that it will withdraw the request to continue the currently-approved CHP Program, described herein at paragraph 11

23. The Signatory Parties agree that NJNG can implement the proposed Access Program as a pilot, described above at Paragraph 10, with the following modifications:

The program will target a sample of approximately 200 eligible customers.

- o Approximately 50 percent of that population will receive the weatherization measures provided through the Comfort Partners Program and will be converted to high efficiency natural gas heating equipment.
- o The remaining customers in the Access Program will also receive the weatherization measures provided through the Comfort Partners Program and will have electric heat pump equipment installed.
- o NJNG will coordinate with participating contractors to ensure that all installed equipment will be sized appropriately for the location that it will serve, taking into consideration the impacts of the weatherization services provided.
- o All heating equipment installed will be of the highest applicable efficiency given the location in which it is installed. NJNG will strive to ensure that gas furnaces will have an Annual Fuel Utilization Efficiency (AFUE) of 95 percent and heat pumps will have a Heating System Performance Factor (HSPF) equal to or greater than 8.5 and to be consistent with current NJCEP residential compliance filing submitted by Honeywell.

- Since NJNG actively participates in the current Comfort Partners Program, an additional subset comprised of the customers receiving those benefits but not receiving the new heating equipment described above will serve as a control group. The subset will be selected based on the building characteristics of the participants that generally resemble the building characteristics of the population that receives a heating equipment upgrade. In particular, all facilities chosen as a control group must be electric heat dwellings and must also receive Universal Service Fund benefits.

NJNG will track the consumption patterns and to the greatest extent practicable, the building characteristics (including but not limited to building size and building age), for all customers participating in ACCESS and the control group and compare the resulting energy savings among each of the three groups – those receiving only Comfort Partners benefits, those receiving high efficiency natural gas heating equipment and those receiving high efficiency electric heat pumps (all participating customers, including the control group, must allow NJNG access to consumption information in order to be eligible). NJNG agrees to host at least one technical conference with Rate Counsel and Board Staff to explain evaluation protocols and discuss the methods to be used when evaluating the consumption impacts across each of the three groups of participants.

The Signatory Parties agree that NJNG can retain any revenues associated with the Access Program.

24. In resolution of this proceeding, NJNG agrees that the following modifications to the proposed SAVEGREEN programs will be made:

The Signatory Parties agree that NJNG can continue to offer the enhanced rebate of \$900 to customers participating in the NJCEP WARMAdvantage rebate program but the Company hereby withdraws the proposal to, in the alternative, offer an OBRP in lieu of the enhanced rebate.

NJNG also agrees that financing levels through the NJNG OBRP related to HPwES work won't exceed those approved in the 2012 NJCEP budget. In addition, as discussed in Paragraph 5 herein and TJM-4, page 3 of 5, submitted with the Petition, the rebate levels for HPwES for Tier II and Tier III projects will not exceed those offered by NJCEP in 2012.

25. Since the OPOWER and FEED programs were originally approved for a three-year period, this Stipulation does not address either and those programs will continue as structured and approved in the September 2010 Order.

26. In resolution of this proceeding, the Signatory Parties agree that NJNG is authorized to continue the SAVEGREEN programs, as modified herein, and the associated on-bill repayment plan for twelve months effective as of the date the Board Order approving this Stipulation is served. Work related to any specific SAVEGREEN Program offers that has been started prior to the end date may continue into 2013 for close-out and completion.

27. In resolution of this proceeding, the Signatory Parties agree that, if no further Board Order(s) or policy directive is issued with an effective date on or before December 31, 2012, the SAVEGREEN Program may continue to be offered by NJNG on a quarterly basis past December 31, 2012 provided that there are unspent monies in the NJNG SAVEGREEN Program budget. The maximum 2013 investment levels of NJNG in its SAVEGREEN projects allowable

for each quarterly period shall not exceed one-fourth of the approved annual levels for each program and program component.

28. As part of the NJCEP transition, the Signatory Parties understand that if the Board orders the termination either in whole or in part of the OCE programs associated with the SAVEGREEN Project programs, including amendments made herein and including any amendments made in any Board-approved NJCEP transition Order, then the Parties agree that the associated SAVEGREEN Project programs may continue for a period of time for the purpose of an orderly wind-down. However, the Signatory Parties agree that NJNG must abide by a Board Order reflecting a date certain to wind-down any approved SAVEGREEN Program projects for which NJNG has funding, as outlined in Paragraph 27 above.

29. The Signatory Parties agree that the Company will be authorized to defer and seek recovery of all reasonable and prudent SAVEGREEN Program costs, including the rebate costs, customer incentives and associated reasonable and prudent incremental O&M expenses. The rebate costs, customer incentive costs and associated O&M expenses shall be subject to recovery through rates in future periods pursuant to the terms of NJNG's Tariff Sheet Rider F. The SAVEGREEN Program costs shall be subject to the terms set forth in Rider F and shall be recovered through a per therm EER charge relative to all applicable jurisdictional throughput on the NJNG system as provided in Rider F. The estimated revenue requirements for these programs, including associated O&M expenses and assuming full participation, are shown on Exhibit A, attached hereto

30. In resolution of this proceeding, NJNG agrees that the SAVEGREEN Program investments made in participating customer rebates and incentive payments will be amortized

over a five (5) year period, on a straight line basis, with the return on the unamortized investments based upon an after-tax rate of 7.10 percent and 10.75 percent return inclusive of income taxes, with the exception of the Access Program, which will be amortized without a return. As currently structured, the customer repayment periods for the on-bill repayment offer will be five and ten years pursuant to Paragraphs 6 and 24 herein, in coordination with the structure for NJCEP financing offers approved for 2012. In computing the return component of its costs, NJNG will, in addition to the amortization of its investments, deduct the depreciation and applicable deferred income taxes related to the amortization of SAVEGREEN program costs over a five-year period for book purposes and over one year for tax purposes.

31 The SAVEGREEN Program investments and operating costs will be reconciled to actual in filings to be submitted on or before June 1st of each year, for which the Company may seek recovery as described further in Paragraph 32 herein. Any federal or state benefits, if applicable, received by the Company and associated with these programs will be used to reduce the revenue requirement to be collected from ratepayers.

32. In NJNG's annual energy-efficiency rate filing, Docket No. GR11060333, as amended on July 14, 2011, the Company has requested that the Board maintain the current after-tax EER rate of \$0.0127 as originally established in Docket No. GO09010057 and approved by the Board in an Order dated July 7, 2009. The estimated revenue requirement recovery of the costs necessary to deliver the SAVEGREEN programs described herein, including rebates, incentives, customer financing, incremental O&M expenses and carrying costs, in the amount of \$6.7 million annually is to be recoverable through Rider F to the Company's Tariff. Going forward, the Company will make a cost recovery filing by June 1st to establish future EER rates. That filing will

target an effective date of October 1st of the same calendar year, in conjunction with NJNG's annual Basic Gas Supply Service filing. The annual cost recovery filing will include information regarding actual costs and recoveries for the previous year, as well as projected costs and volumes for the upcoming year. Any variance between costs and recoveries will accrue interest at a rate equal to the Company's monthly commercial paper rate. In the event that commercial paper was not utilized by the Company in the preceding month, the last calculated rate will be used. The interest rate shall not exceed the Company's rate of return as authorized by the Board in the Company's most recent base rate case, BPU Docket No. GR07110889, or until changed by Board Order. Interest on over/under recoveries will be calculated using simple interest, based on the average beginning and ending over/under recovery balances for the month, on a net-of-tax basis. In each annual filing, the sum of the monthly interest to be collected from or credited to ratepayers will be included in the rate calculations for the upcoming year as part of the calculation of the cost over/under-recoveries.

33. The Signatory Parties agree that funding may be transferred between individual programs within SAVEGREEN in order to address customer and market demand, in accordance with the following procedure. The Company will submit to the Parties a written description of the proposed transfers, the rationale behind the proposal and schedules demonstrating the impact any transfers may have on aggregate costs and benefit analysis relevant to the changes. If there is any objection within 10 days from a Signatory Party, Board approval will be required. Additionally, Board approval will be required if the proposed transfers (1) increase or decrease any individual program's budget by more than 20 percent; or (2) involve more than 10 percent of the total SAVEGREEN budget. NJNG will not seek to increase or re-allocate the budget of any

SAVEGREEN program to any other SAVEGREEN program budget where that program has been eliminated by NJCEP.

34. Except as provided in paragraph 33 above, all changes to the SAVEGREEN programs must be proposed by the Company in an appropriate Petition filed with the Board. The Signatory Parties specifically agree and understand that proposals by the Company for changes in rebate levels, including those intended to respond to future NJCEP budgetary consideration, and proposals by the Company to make other program changes in response to changes in NJCEP or Board Policy, must be made by means of a Petition filed with the Board.

35. NJNG will continue to submit detailed data regarding the SAVEGREEN programs and expenses through the Program Manager Data Tracking Sheets as these reports are consistent with the data currently reported by the Company for the NJCEP Comfort Partners and current SAVEGREEN programs. The Company will submit each Monthly Activity Report within thirty (30) days of the end of the calendar month covered by the report.

36. This Stipulation represents a mutual balancing of interests, contains interdependent provisions and, therefore, is intended to be accepted and approved in its entirety. In the event any particular aspect of this Stipulation is not accepted and approved in its entirety by the Board, any Signatory Party aggrieved thereby shall not be bound to proceed with this Stipulation and shall have the right to litigate all issues addressed herein to a conclusion. More particularly, in the event this Stipulation is not adopted in its entirety by the Board in any applicable Order(s), then any Signatory Party hereto is free to pursue its then available legal remedies with respect to all issues addressed in this Stipulation as though this Stipulation had not been signed.


37. It is the intent of the Signatory Parties that the provisions hereof be approved by the Board as being in the public interest. The Signatory Parties further agree that they consider the Stipulation to be binding on them for all purposes herein.

38. It is specifically understood and agreed that this Stipulation represents a negotiated agreement and has been made exclusively for the purpose of these proceedings. Except as expressly provided herein, NJNG, the Board Staff, and Rate Counsel shall not be deemed to have approved, agreed to, or consented to any principle or methodology underlying or supposed to underlie any agreement provided herein and, in total or by specific item, is in no way binding upon them in any other proceeding, except to enforce the terms of this Stipulation.

WHEREFORE, the Signatory Parties hereto do respectfully submit this Stipulation and request that the Board issue a Decision and Order approving it in its entirety, in accordance with the terms hereof, as soon as reasonably possible.

**NEW JERSEY NATURAL GAS COMPANY
PETITIONER**

By:


TRACEY THAYER, ESQ.
Director, Regulatory Affairs Counsel

**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

By:

SARAH H. STEINDEL, ESQ.
Assistant Deputy Rate Counsel

**STAFF OF THE STATE OF NEW JERSEY BOARD OF PUBLIC UTILITIES
JEFFREY S. CHIESA
ACTING ATTORNEY GENERAL OF THE STATE OF NEW JERSEY**

By:

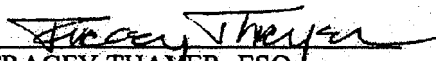
VERONICA BEKE
Deputy Attorney General

Date:

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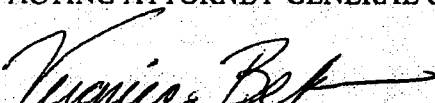
**NEW JERSEY DIVISION OF RATE COUNSEL
STEFANIE A. BRAND, DIRECTOR**

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Assistant Deputy Rate Counsel

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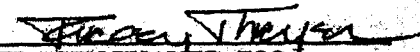

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Deputy Attorney General

Date:

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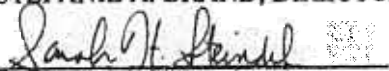
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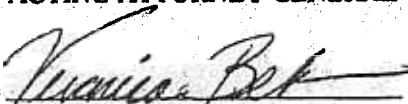
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JEFFREY S. CHIESA
ACTING ATTORNEY GENERAL OF THE STATE OF NEW JERSEY**

By:


VERONICA BEKE
Deputy Attorney General

Date:

New Jersey Natural Gas
RGGI Program

Summary of Revenue Requirements
(\$000)

Year		<u>2014</u>	<u>2015</u>	<u>2016</u>				<u>2020</u>	<u>2021</u>
<u>Residential Efficiency Revenue Requirements</u>									
O&M Expense	\$ 3,869	\$ 183	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	1,870	1,870	1,870	1,870	1,870	-	-	-	-
Income Taxes	228	420	347	274	201	148	115	82	49
Return	445	818	676	533	391	288	224	160	96
Total	\$ 6,412	\$ 3,291	\$ 2,893	\$ 2,677	\$ 2,462	\$ -	\$ -	\$ -	\$ -
<u>Commercial Efficiency Revenue Requirements</u>									
O&M Expense	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	-	-	-	-	-	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<u>Access to Affordable Energy Revenue Requirements</u>									
O&M Expense	\$ 98	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Amortization	200	200	200	200	200	-	-	-	-
Income Taxes	-	-	-	-	-	-	-	-	-
Return	-	-	-	-	-	-	-	-	-
Total	\$ 298	\$ 200	\$ 200	\$ 200	\$ 200	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUE REQUIREMENTS	\$ 6,710	\$ 3,491	\$ 3,093	\$ 2,877	\$ 2,662	\$ 436	\$ 339	\$ 242	\$ 145
									\$ 48